

## **City of ABC**

### **Actuarial Valuation Of Postretirement Benefits Under GASB 45 As Of January 1, 2007**

Prepared By

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May 17, 2007

John Doe  
Risk Manager  
City of ABC  
555 Cherry Lane  
Denton, TX 76205

**Re: Actuarial Valuation of Postretirement Benefits under GASB 45 for the  
City of ABC**

Dear Mr. Doe:

Pursuant to your request, we have completed an actuarial valuation of the benefit cost and funded status relating to the future retiree medical benefits provided by the City of ABC as of January 1, 2007. The results of our calculations are set forth in the following report, as are the actuarial assumptions, methods and brief summary of the retiree eligibility and benefits upon which our calculations have been made. Our determinations reflect the procedures and methods as prescribed in Statement 45 of the Governmental Accounting Standards Board, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions" ("Statement").

Actuarial computations under the Statement are for purposes of fulfilling certain employer accounting requirements. The calculations reported herein have been made on a basis consistent with our understanding of the Statement. Determinations for purposes other than meeting the employer financial accounting requirements of the Statement may differ significantly from the results reported herein.

In preparing our calculations for this report, we have relied without audit, on the employee data, plan provisions, and other plan financial information as provided by the City. Since claim experience was unavailable for approximately 1/3 of the retiree population, we relied upon the census data and Milliman's Health Cost Guideline to estimate retiree claim costs. If any of this information, as summarized in this report, is inaccurate or incomplete, the results shown could be materially affected and this report may need to be revised.

This report is intended for the sole use of the addressee and is intended only to supply sufficient information for the Plan Sponsor to comply with the stated purpose of the report and may not be appropriate for other business purposes. Reliance on information contained in this report by anyone for other than the intended purpose puts the relying entity at risk of being misled. Accordingly, no person or entity, including the addressee, should base any representations or warranties in any business agreement on any statements or conclusions contained in this report without the written consent of Milliman.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Actuarial Standards of Practice.

We further certify that, in our opinion, each actuarial assumption, method and technique used is individually reasonable taking into account the experience of the Plan and reasonable expectations. Nevertheless, the emerging liabilities and costs of the plan will vary from those presented in this report to the extent that actual experience differs from that projected by the actuarial assumptions.

Please contact us if you have questions about our report or would like additional information.

I, Michael N. Morin, A.S.A., am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,  
MILLIMAN, INC.

Michael N. Morin, A.S.A.  
Consulting Actuary

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## Introduction and Purpose

Historically, governmental entities offering postretirement medical plans – especially those that are self-funded – have accounted for such plans on essentially a cash basis. Consequently, the cost for such plans is attributed to the period of time that an employee is retired and not performing substantial work for the employer. In 2004, the Governmental Accounting Standards Board issued Statement No. 45 entitled “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*” (“GASB 45”) to address the accounting of these plans.

The major change under GASB 45 is to attribute the cost of postretirement benefits to the time during which the employee is working for the employer. Reasons provided by GASB for this change include:

- Recognize the cost of benefits in periods when the related services are received by the employer.
- Provide information about the actuarial liabilities for promised benefits associated with past services and to what extent those benefits are funded.
- Provide information that is useful to assess potential demands on the employer’s future cash flows.

While GASB 45 allocates the costs of a postretirement benefit plan onto the years of active employment (when the promise of future benefits is potentially motivating an employee), **it does not require the funding of such benefits**. There are two key points that need to be noted in this regard. First, the choice of the discount rate used in measuring the liabilities of the benefits is tied to the funding vehicle or lack thereof. GASB 45 requires the use of a discount rate that is related to the long-term investment yield on investments used to finance the payments of benefits. An unfunded plan must use a discount rate equal to what the sponsor earns on its general assets. Since a lower discount rate leads to higher liabilities, a funded plan will have lower liabilities than an unfunded plan with identical provisions and membership.

While the discount rate issue provides some encouragement for funding plans, there is a second key point. GASB 45 requires that assets can only be considered if they are paid as insurance premiums or are: (1) held in an irrevocable trust, (2) dedicated solely to provide benefits under the plan to retirees and their beneficiaries, and (3) are protected from creditors. This restriction may limit what can be funded, depending upon legal restraints and tax issues.

In order to illustrate how the results are impacted if the Plan is funded, results are shown using two different discount rates. If the Plan were funded, the City may be able to invest in higher risk securities. Consequently, a 7% return and discount rate may be appropriate. Without funding, the discount rate is assumed to be 4%, a conservative estimate of short-term pooled funds.

Milliman, Inc. prepared this report at the request of the City of ABC to estimate the cost of the City's current retiree health program and the potential impact of GASB 45. The intended purpose of this information is to provide actuarial cost information to the City to help with financial and benefit planning. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. The report should only be used in its entirety to assure complete understanding of the estimates and the methodology and assumptions underlying the estimates.

In preparing this report, we relied on the overall employee census and benefit information provided by the City. We reviewed the information for reasonableness, but we did not audit the information. To the extent that any of this data or information is incorrect, the results of this report may need to be revised.

A number of assumptions have been made in projecting retiree health costs that should be reviewed prior to interpreting the results shown in this report. These assumptions, as well as the actuarial methodology, are described in this report. The projections in this report are estimates and, as such, the City's actual liability will vary from these estimates. The actual liability will not be known until such time that all eligibility is exhausted and all benefits are paid. The projections and assumptions should be updated as actual costs under this program develop.

The Medicare Modernization Act (MMA) provides for a federal subsidy to sponsors of a postretirement benefit plan that provides prescription drug coverage, provided the coverage is at least actuarially equivalent to the prescription drug benefits provided by Medicare Part D. GASB has just released a Proposed Technical Bulletin that indicates this future subsidy should not be reflected. While we have not reflected the future subsidy, we do note that if we did, liabilities and costs would be reduced.



# EXHIBITS

**Exhibit 1 — Summary of Participant Data**

<b>A c t i v e   M e m b e r s</b>									
	<b>Y e a r s   o f   S e r v i c e</b>								
<b>Age</b>	<b>0-5</b>	<b>5-10</b>	<b>10-15</b>	<b>15-20</b>	<b>20-25</b>	<b>25-30</b>	<b>30-35</b>	<b>35 &amp; Up</b>	<b>Total</b>
0-24	43	1	0	0	0	0	0	0	44
25-29	96	25	0	0	0	0	0	0	121
30-34	81	69	11	0	0	0	0	0	161
35-39	56	66	47	14	1	0	0	0	184
40-44	52	46	19	40	13	0	0	0	170
45-49	41	33	18	19	14	6	0	0	131
50-54	27	23	18	18	25	16	5	1	133
55-59	21	16	7	15	12	10	6	2	89
60-64	5	7	3	3	0	1	2	2	23
65-69	2	3	1	1	1	0	0	0	8
70&Up	0	0	1	0	0	0	0	0	1
Total	424	289	125	110	66	33	13	5	1,065

<b>R e t i r e e s   a n d   S p o u s e s</b>			
	<b>Male</b>	<b>Female</b>	<b>Total</b>
Under 55	20	18	38
55-59	23	14	37
60-64	16	8	24
65-69	17	13	30
70-74	0	5	5
75-79	1	1	2
Over 80	1	0	1
Total	78	59	137

<b>C h i l d r e n</b>			
	<b>Male</b>	<b>Female</b>	<b>Total</b>
Under 5	1	0	1
5-9	3	1	4
10-14	2	3	5
15-19	3	4	7
Over 20	1	1	2
Total	10	9	19



**Exhibit 2 — Actuarial Present Value Of Total Projected Benefits**

4 %			
	Firemen	TMRS	Total
Medical Benefits			
Active	\$1,969,385	\$8,704,120	\$10,673,505
Retiree	159,828	330,073	489,901
Total	\$2,129,213	\$9,034,193	\$11,163,406

7 %			
	Firemen	TMRS	Total
Medical Benefits			
Active	\$1,048,830	\$4,535,205	\$5,584,035
Retiree	137,373	168,472	305,845
Total	\$1,186,203	\$4,703,677	\$5,889,880

**Exhibit 3 — Actuarial Liability****4 %**

	<b>Firemen</b>	<b>TMRS</b>	<b>Total</b>
Medical Benefits			
Active	\$964,826	\$3,518,855	\$4,483,681
Retiree	159,828	330,073	489,901
<b>Total</b>	<b>\$1,124,654</b>	<b>\$3,848,928</b>	<b>\$4,973,582</b>

**7 %**

	<b>Firemen</b>	<b>TMRS</b>	<b>Total</b>
Medical Benefits			
Active	\$600,026	\$2,057,559	\$2,657,585
Retiree	137,373	168,472	305,845
<b>Total</b>	<b>\$737,399</b>	<b>\$2,226,031</b>	<b>\$2,963,430</b>

**Exhibit 4 — Actuarial Balance Sheet**

	4%	7%
<b>A. Actuarial Present Value of Total Projected Benefits</b>		
Firemen	\$ 2,129,213	\$ 1,186,203
TMRS	<u>9,034,193</u>	<u>4,703,677</u>
Total Actuarial Present Value of Total Projected Benefits	\$ 11,163,406	\$ 5,889,880
<b>B. Assets and Future Employer Contributions</b>		
• Assets	\$ 0	\$ 0
• Unfunded Actuarial Liability		
Firemen	\$ 1,124,654	\$ 737,399
TMRS	<u>3,848,928</u>	<u>2,226,031</u>
Total Unfunded Actuarial Liability	\$ 4,973,582	\$ 2,963,430
• Present Value of Future Normal Costs		
Firemen	\$ 1,004,559	\$ 448,804
TMRS	<u>5,185,265</u>	<u>2,477,646</u>
Total Present Value of Future Normal Costs	\$ 6,189,824	\$ 2,926,450
Total Assets and Future Employer Contributions	\$ 11,163,406	\$ 5,889,880

**Exhibit 5 — Annual Required Contribution (ARC)**

	4%	7%
<b>A. Normal Costs</b>		
(1) Current Year Normal Cost as of January 1, 2007		
Firemen	\$ 61,350	\$ 29,072
TMRS	<u>338,684</u>	<u>181,701</u>
Total Normal Cost as of January 1, 2007	\$ 400,034	\$ 210,773
(2) Assumed Interest to the End of the Year	\$ 16,001	\$ 14,754
(3) Current Year Normal Cost as of Dec. 31, 2007 [(1) + (2)]	\$ 416,035	\$ 225,527
<b>B. Determination of Current Year Amortization Payment</b>		
(1) Unfunded Actuarial Liability ( <i>see Exhibit 4</i> )	\$ 4,973,582	\$ 2,963,430
(2) Maximum Permissible Amortization Period	30 years	30 years
(3) Level Dollar Amortization Factor	\$ 17.9837	\$ 13.2777
(4) Amortization Amount as of January 1, 2007 [(1) / (3)]	\$ 276,560	\$ 223,189
(5) Assumed Interest to the End of the Year	<u>\$ 11,062</u>	<u>\$ 15,623</u>
(6) Amortization Amount as of December 31, 2007 [(4) + (5)]	\$ 287,622	\$ 238,812
<b>C. Determination of Annual Required Contribution</b>		
(1) Normal Cost for Benefits Attributable to Service in the Year (A.3.)	\$ 416,035	\$ 225,527
(2) Amortization of Unfunded Actuarial Liability	\$ 287,622	\$ 238,812
(3) Annual Required Contribution (ARC) [(1) + (2)]	\$ 703,657	\$ 464,339

The amortization of the Unfunded Actuarial Liability is calculated here assuming 30 level annual payments. GASB 45 allows for these payments to be calculated as a level percent of payroll. If this were done, the 2007 ARC would be lower, but future years would be higher as payroll increases.

## Exhibit 6 — Projected Benefit Payments

January 1, 2007 Estimated Medical Cash Flows			
Year	Total Claims	Total Contributions	Net
2007	\$605,246	\$ 643,663	\$ (38,417)
2008	785,737	808,865	(23,128)
2009	973,031	978,672	(5,641)
2010	1,186,512	1,162,015	24,497
2011	1,440,094	1,357,193	82,901
2012	1,763,376	1,606,134	157,242
2013	1,970,924	1,791,724	179,200
2014	2,112,659	1,851,960	260,699
2015	2,363,856	2,050,464	313,392
2016	2,541,987	2,200,567	341,420
2017	2,755,827	2,382,308	373,519
2018	2,908,931	2,529,379	379,552
2019	3,178,512	2,746,877	431,635
2020	3,355,686	2,915,702	439,984
2021	3,557,921	3,115,852	442,069
2022	3,777,212	3,319,516	457,696
2023	4,211,153	3,660,089	551,064
2024	4,534,371	3,932,553	601,818
2025	4,907,587	4,241,154	666,433
2026	5,228,139	4,536,874	691,265

## Exhibit 7 — Required Financial Statement Disclosures

The following table shows the calculation of the Annual Required Contribution and Net OPEB Obligation.

	For the Fiscal Year Ending December 31, 2007	
	4%	7%
<b><i>Determination of Annual Required Contribution</i></b>		
Normal Cost at year end	\$ 416,035	\$ 225,527
Amortization of UAAL	<u>287,622</u>	<u>238,812</u>
Annual Required Contribution (ARC)	\$ 703,657	\$ 464,339
<b><i>Determination of Net OPEB Obligation</i></b>		
Annual Required Contribution	\$ 703,657	\$ 464,339
Interest on prior year Net OPEB Obligation	0	0
Adjustment to ARC	<u>0</u>	<u>0</u>
Annual OPEB Cost	\$ 703,657	\$ 464,339
Contributions made *	<u>103,271</u>	<u>464,339</u>
Increase in Net OPEB Obligation	\$ 600,386	\$ 0
Net OPEB Obligation – beginning of year	\$ 0	\$ 0
Net OPEB Obligation – end of year	\$ 600,386	\$ 0

\* For illustration purposes, we have shown contributions to be equal to expected benefit payments (including the value of the retiree premium subsidy) during the 2007 fiscal year if not funded and contributions equal to the ARC if funded. GASB 45 defines contributions for this purpose to be actual benefit payments during the year and contributions made to a separate, irrevocable trust.

The following table shows the annual OPEB cost and net OPEB obligation for the prior 3 years assuming the plan is not prefunded (4% discount).

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/2005	N/A	N/A	N/A
12/31/2006	N/A	N/A	N/A
12/31/2007	\$703,657	14.7%	\$103,271*

## Exhibit 8 — Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL) <sup>(1)</sup>	Unfunded Actuarial Accrued Liabilities (UAAL) <sup>(2)</sup>	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2004	N/A	N/A	N/A	N/A	N/A	N/A
January 1, 2005	N/A	N/A	N/A	N/A	N/A	N/A
January 1, 2007	0	4,973,582	4,973,582	0.0%	43,269,000 <sup>(3)</sup>	11.5%

(1) Actuarial liability determined under the projected unit credit cost method.

(2) Actuarial accrued liability less actuarial value of assets.

(3) Estimated, based on hourly rate information provided.



# APPENDICES



## Appendix A — Actuarial Cost Method

### Unit Credit Actuarial Cost Method

The actuarial cost method determines, in a systematic way, the incidence of plan sponsor contributions required to provide plan benefits. It also determines how actuarial gains and losses are recognized in pension costs. These gains and losses result from the difference between the actual experience under the plan and the experience by the actuarial assumptions.

The cost of the Plan is derived by making certain specific assumptions as to rates of interest, mortality, turnover, etc. which are assumed to hold for many years into the future. Since actual experience may differ somewhat from the long term assumptions, the costs determined by the valuation must be regarded as estimates of the true costs of the Plan.

Actuarial liabilities and comparative costs shown in this Report were computed using the **Unit Credit Actuarial Cost Method**, which consists of the following cost components:

1. **The Normal Cost** is the Actuarial Present Value of benefits allocated to the valuation year.
2. **The Actuarial Liability** is the Actuarial Present Value of benefits accrued as of the valuation date.
3. **Valuation Assets** are equal to the market value of assets as of the valuation date, if any.
4. **Unfunded Actuarial Liability** is the difference between the Actuarial Liability and the Valuation Assets. It is amortized over the maximum permissible period under GASB 45 of 30 years.

It should be noted that GASB 45 allows a variety of cost methods to be used. We elected this method because it is generally easy to understand and is widely used for the valuation of postemployment benefits other than pensions. Other methods used do not change the ultimate liability, but do allocate it differently between what has been earned in the past and what will be earned in the future. If a different method was used, either the normal cost would decrease and the unfunded amortization would increase, or the normal cost would increase and the amortization decrease. Please note that the net effect of the change may result in an increase or decrease in the annual required contribution (ARC). If desired, we can provide more details.

## Appendix B — Actuarial Assumptions

In addition to the actuarial method used, actuarial cost estimates depend to an important degree on the assumptions made relative to various occurrences, such as rate of expected investment earnings by the fund, rates of mortality among active and retired employees, rates of termination from employment, and retirement rates. In the current valuation, the actuarial assumptions used for the calculation of costs and liabilities are as follows:

1. **Discount Rate:** 4.0% per annum, compounded annually - if unfunded  
7.0% per annum, compounded annually - if funded
2. **Mortality Rates:** 1994 Group Annuity Table for Males and Females.
3. **Withdrawal Rates:** Sample rates of employee withdrawal for TMRS members (exclusive of withdrawal by death or retirement) are illustrated below.

Years of Service	Age	Male Rates	Female Rates
0		.299	.308
3		.130	.166
6		.090	.104
9		.056	.058
12		.034	.038
15		.022	.023
18		.017	.013
20 or more		.018	.018
		.013	.013
		.008	.008
		.003	.003
		.008	.008
		.013	.013
	40		
	45		
	50		
	55		
	60		
	65		

Sample rates of employee withdrawal for Firemen (exclusive of withdrawal by death or retirement) are illustrated below.

Age	Years of Service	Rates
All	0	8%
	1	6%
	2	4.5%
	3	3.0%
	4	2.0%
25	Over 4	1.0%
30		1.0%
35		1.0%
40		.9%
45		.8%
50		.7%
55		.6%

- 4. Retirement Rates:** Sample rates of retirement for TMRS members are illustrated below. Rates are taken from the 2004 TMRS Comprehensive Annual Financial Report.

Ages	Male Entry Age Groups			Female Entry Age Groups		
	20, 25, 30	35, 40, 45	50, 55, 60	20, 25, 30	35, 40, 45	50, 55, 60
40-44	.030	—	—	.023	—	—
45-49	.060	—	—	.045	—	—
50-54	.080	—	—	.075	—	—
55-59	.120	—	—	.100	—	—
60	.200	.175	.150	.350	.300	.250
61	.240	.150	.120	.250	.140	.120
62	.500	.450	.400	.400	.350	.300
63	.280	.250	.250	.200	.200	.200
64	.350	.250	.250	.250	.160	.160
65	.750	.600	.550	.500	.450	.450
66-69	.550	.450	.350	.450	.330	.330
70-74	.500	.500	.500	.500	.500	.500
75 and over	1.000	1.000	1.000	1.000	1.000	1.000

Sample rates of retirement for Firemen are illustrated below.

Age	Rates
50	20%
51	15%
52	10%
53	10%
54	10%
55	10%
56	10%
57	15%
58	25%
59	30%
60	100%
Over 60	100%

- 5. Marriage Assumption:** For Actives it is assumed that wives are three years younger than husbands. 40% of men and 40% of women are assumed to have spouses who will elect coverage.
- 6. Price Inflation:** 3.5% per year.
- 7. Health Care Cost Trend Rate:** Claim costs in future years equal the starting claim costs adjusted for the assumed ongoing cost trends. Such trends are based on the health care cost trend rate adjusted for the impact of plan design, cost containment features and Medicare coordination.

Duration	Trend
1	11.25%
2	10.50%
3	9.50%
4	8.75%
5	7.75%
6	6.75%
7	6.00%
8	6.00%
9	6.00%
10+	6.00%

- 8. Participation:** All eligible members are assumed to elect coverage up to age 65. After age 65, members are assumed to opt out.

**9. Retiree Claim Costs:\***

Age	Male	Female	Age	Male	Female
45	\$2,595	\$3,385	67	\$3,068	\$2,957
46	\$2,793	\$3,546	68	\$3,236	\$3,071
47	\$2,990	\$3,708	69	\$3,403	\$3,186
48	\$3,188	\$3,870	70	\$3,571	\$3,301
49	\$3,385	\$4,031	71	\$3,739	\$3,416
50	\$3,582	\$4,193	72	\$3,906	\$3,530
51	\$3,780	\$4,355	73	\$4,050	\$3,647
52	\$3,977	\$4,516	74	\$4,193	\$3,763
53	\$4,264	\$4,670	75	\$4,337	\$3,879
54	\$4,551	\$4,823	76	\$4,480	\$3,996
55	\$4,837	\$4,976	77	\$4,624	\$4,112
56	\$5,124	\$5,130	78	\$4,735	\$4,197
57	\$5,410	\$5,283	79	\$4,845	\$4,282
58	\$5,721	\$5,496	80	\$4,956	\$4,368
59	\$6,031	\$5,709	81	\$5,066	\$4,453
60	\$6,341	\$5,922	82	\$5,177	\$4,538
61	\$6,652	\$6,135	83	\$5,247	\$4,605
62	\$6,962	\$6,348	84	\$5,317	\$4,672
63	\$7,723	\$6,561	85+	\$5,527	\$4,874
64	\$7,583	\$6,774			
65	\$2,733	\$2,727			
66	\$2,900	\$2,842			

\* The medical experience data (claims and enrollment) did not include all of the retiree population (represented approximately 1/3 of the population) therefore we determined that we should not use it to calculate future costs representative to the entire population. We relied solely upon a census provided by the City of ABC and our rating model, Health Cost Guidelines, to calculate these costs.

**10. Administrative Cost:** Included in claims.

**11. Employee Contributions:** \$362.27 per retiree per month  
 \$488.52 per spouse per month  
 Trended with Health Care Cost Trend Rates

**12. Dental and Vision:** Retirees are paying the full premium for dental and vision and therefore are not valued in this report.

**13. Children:** Children are valued at 15 years of age up to 22 years of age.

## Appendix C — Retiree Eligibility and Benefits

### Eligibility

A TMRS employee is eligible to elect medical coverage upon retiring. Eligibility for retirement is based on the following table:

Age	Service
60	5
Any age	20

An employee who is a fireman is eligible to elect medical coverage upon retiring. Eligibility for retirement is based on the following table:

Age	Service
50	20

### Medical Coverage of Dependents

Coverage is also provided to spouses of retirees who are currently receiving benefits. If the retiree predeceases the spouse, coverage for the surviving spouse continues.

### Base Plan Summary

#### 1. Calendar Year Deductible

- a. PPO network: \$500 deductible per person, with a limit of \$1,000 per family.
- b. Out-of-network: \$1,500 deductible per person, with a limit of \$3,000 per family

#### 2. Coinsurance Percentage & Stop-Loss Point

- a. PPO network: Coinsurance is 10% up to maximum out-of-pocket of \$1000 per person, \$2,000 per family.
- b. Out-of-network: Coinsurance is 30% up to maximum out-of-pocket of \$3,000 per person, \$6,000 per family.



**3. Maximum Benefits**

- a. PPO Network: No maximum policy benefit.
- b. Out-of-network: \$1,000,000 per covered person.

**4. Prescription Drug Program**

30 Day Supply	90 Day Supply
Tier 1 – \$10	Tier 1 – \$25
Tier 2 – \$30	Tier 2 – \$75
Tier 3 – \$50	Tier 3 – \$125

## Appendix D — Glossary

The following is an explanation of many of the terms referenced by the Proposed Statement of the Governmental Accounting Standards Board, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions”.

1. **Actuarial Cost Method.** This is a procedure for determining the Actuarial Present Value of Benefits and allocating it to time periods to produce the Actuarial Accrued Liability and the Normal Cost. The Statement assumes a closed group of employees and other participants unless otherwise stated; that is, no new entrants are assumed. Six methods are permitted – Unit Credit, Entry Age Normal, Attained Age, Aggregate, Frozen Entry Age, and Frozen Attained Age.
2. **Actuarial Liability.** This is the portion of the Actuarial Present Value of Benefits attributable to periods prior to the valuation date by the Actuarial Cost Method (i.e., that portion not provided by future Normal Costs).
3. **Actuarial Present Value of Benefits.** This is the value, as of the applicable date, of future payments for benefits and expenses under the Plan, where each payment is:
  - (a) Multiplied by the probability of the event occurring on which the payment is conditioned, such as the probability of survival, death, disability, termination of employment, etc.; and
  - (b) Discounted at the assumed discount rate.
4. **Actuarial Value of Assets.** This is the value of cash, investments and other property belonging to the Plan, as used by the actuary for the purpose of an Actuarial Valuation.
5. **Amortization Payment.** This is the amount of the contribution required to pay interest on and to amortize over a given period the Unfunded Actuarial Accrued Liability or the Unfunded Frozen Actuarial Accrued Liability. A closed amortization period is a specific number of years counted from one date and reducing to zero with the passage of time; an open amortization period is one that begins again or is recalculated at each actuarial valuation date.
6. **Annual Required Contributions (“ARC”).** This is the employer’s periodic required contribution to a defined benefit OPEB plan, calculated in accordance with the set of requirements for calculating actuarially determined OPEB information included in financial reports.

7. **Attribution Period.** The period of an employee's service to which the expected postretirement benefit obligation for that employee is assigned. The beginning of the attribution period is the employee's date of hire. The end of the attribution period is the full retirement eligibility date. For disability retirement, the end of the attribution period is the date of disability.
8. **Benefit Payments.** The monetary or in-kind benefits or benefit coverage to which participants may be entitled under a post employment benefit plan, including health care benefits and life insurance not provided through a pension plan.
9. **Funding Excess.** This is the excess of the Actuarial Value of Assets over the actuarial accrued liability.
10. **Normal Cost.** This is the portion of the Actuarial Present Value of Benefits allocated to a valuation year by the Actuarial Cost Method.
11. **Net OPEB obligation.** This is the cumulative difference since the effective date of this statement between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.
12. **Other Postemployment Benefits ("OPEB").** This refers to postemployment benefits other than pension benefits, including healthcare benefits regardless of the type of plan that provides them, and all other postemployment benefits provided separately from a pension plan, excluding benefits defined as termination benefits or offers.
13. **Return on Plan Assets.** This is the actual investment return on plan assets during the fiscal year.
14. **Substantive Plan.** The terms of the postretirement benefit plan as understood by an employer that provides postretirement benefits and the employees who render services in exchange for those benefits. The substantive plan is the basis for the accounting for the plan.
15. **Unfunded Actuarial Accrued Liability.** This is the excess of the actuarial accrued liability over the Actuarial Value of Assets.